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SUSTAINABLE DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION: INTEGRATION OF THE ECONOMIES IN TRANSITION INTO THE WORLD ECONOMY

Report of the Secretary-General

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* A/49/150.

BACKGROUND

The General Assembly, in its resolution 48/181 of 21 December 1993, requested the Secretary-General, with a view towards coordinating and strengthening the ability of the United Nations system to conduct analytical activities and provide policy advice and technical assistance regarding changes in the economies in transition a/ as they integrated into the world economy, to prepare a report on the integration of the economies in transition into the world economy, in full cooperation with the relevant organizations and bodies of the system, for submission to the Assembly at its forty-ninth session.

In that resolution, the Assembly stressed the need to strengthen the ability of the United Nations system to conduct analytical activities and provide policy advice and technical assistance to the countries with economies in transition, as well as to promote and enhance mutual cooperation with the International Monetary Fund and the World Bank, within their respective mandates, and to study possible areas of economic and technical cooperation among countries with economies in transition, as well as with the developing countries, identifying the role that the United Nations system could play in this field, with a view to encouraging greater participation by those countries in the world economy.

In fulfilling this mandate, the Secretary-General took into account, among other studies, his report on the impact of the recent evolution of East-West relations on the growth of the world economy, in particular on the economic growth and development of the developing countries, as well as on international economic cooperation (E/1991/82), presented as a contribution to the deliberations of the special high-level meeting of the Economic and Social Council during its second regular session of 1991; the report of the Council for the year 1991, containing the summing-up by the President of the Council following the informal exchange of views on the strengthening of multilateral cooperation in international economic affairs; b/ and the report of the Secretary-General on the impact of the evolution of East-West relations on global growth and development (A/47/403), and the report on the integration of the economies in transition into the world economy: the role of the United Nations (A/48/317) and that on the impact of the recent evolution of the economies in transition on the world economy (A/48/331), as well as the replies received from various agencies and organizations of the United Nations system regarding their views on the topics stated in Assembly resolution 48/181.

The organizations most directly involved in assisting the transition economies with their integration into the world economy were invited to submit their views on (a) the nature of assistance activities undertaken by each of them, with an explanation of the successes and difficulties experienced in working towards the set goals; (b) current plans for delivering assistance in the near term, say, roughly until the end of 1995 c/ to the transition economies; and (c) the overall successes in assisting the economies in

transition obtained thus far within the United Nations system as perceived by each organization, and how improved coordination could facilitate implementation of the plans adopted by each organization.

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a/ For the purpose of the present report, the geographical compass has been limited to the countries in the eastern part of Europe that were formerly characterized by one-party rule and by an economic system anchored to some form of administrative planning. These include Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Poland, the Republic of Moldova, Romania, the Russian Federation, Slovakia, Slovenia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan, the former Yugoslav Republic of Macedonia and Yugoslavia (Serbia and Montenegro). Several agencies submitted materials on other economies which they deemed to be in transition or included for budgeting and/or programming purposes in their efforts to assist countries in transition. This information has not been reflected in this report, however.

b/ Official Records of the General Assembly, Forty-sixth Session, Supplement No. 3 (A/46/3/Rev.1), annex VII.

c/ A number of organizations have a programming and planning cycle that extends beyond end-1995, and the information they submitted with respect to near-term planned activities extends, therefore, to their respective horizons.

I. SUMMARY AND CONCLUSIONS

1. Now well into its fifth year, the political and economic transformation process in the eastern part of Europe continued in 1994 with some positive results but also some set-backs. Most of the economies concerned have opened up new perspectives on cooperation in economic, political and strategic domains in Europe, inter alia, by forging new formal ties. It is becoming increasingly clear that the transition, particularly in most of the successor States of the former Union of Soviet Socialist Republics (USSR), will take longer and will be more complicated than was previously imagined. This calls not only for imaginative policies at the national, regional and global levels, including the assistance-delivering agencies, but also for forbearance on the part of all parties concerned.

2. Economic performance in the economies in transition has varied considerably in the period 1993-1994, and managing the unprecedented challenges emanating from the rapid move towards a market-based economy in a pluralistic political setting has proved difficult. Also, the efforts of the international community in assisting the economies in transition, whether at bilateral, regional or international levels, have not yet produced the expected results.

3. From the beginning, the economies in transition undertook major efforts to move ahead with political pluralism and the construction of a market economy. Several successes were recorded and they are being strengthened in the course of 1994; but some setbacks have also had to be weathered. Though most countries continue to make strenuous efforts to regain external and internal stability, and to open up further to the world economy, many have not yet succeeded, in part because the environment for buoyant growth in trade and finance in 1993, particularly in Western Europe, was not very encouraging. Indeed, in only a few countries, particularly in Central Europe, are signs of recovery appearing; but the overall performances to date remain mixed and it is as yet unclear whether the gains made can become self-sustainable.

4. Though financial transfers from the international community to the economies in transition appear to have slowed down, new flows have emerged, including from the multilateral financial organizations, chiefly on commercial terms. None the less, the delivery of assistance and inflows of foreign direct investment (FDI) have lagged well behind expectations. In many cases, domestic economic agents continue to be quite apprehensive about the future and are refraining from any but very-short-run investments, a stance that is being fuelled by the continuing uncertainty about critical economic, political and social aspects of the transformations.

5. Assistance to the economies in transition has continued to be provided by a variety of bilateral and multilateral agencies, of which the family of organizations of the United Nations system constitutes only one node, albeit a critical one. By now, after the initial assessment phases, virtually all United Nations system organizations have become actively involved, each in its own specialized way, in programme delivery to at least some of these economies. Though the division of labour appears to have been streamlined somewhat in the course of 1993-1994, several organizations continue to stress the importance of

further enhancing harmonization and coordination among all actors involved in delivering assistance, including the United Nations organizations. For lack of extrabudgetary funding, several continue to encounter problems in delivering assistance that is essentially based on embodied capital stock, for which, in most cases, the marginal expenditure would be rather small.

6. The assistance provided by United Nations organizations can be divided into two broad groups. One involves technical assistance in conjunction with sizeable financial transfers, usually at market terms. The other capitalizes essentially on the rich store of knowledge, which can be broadly defined as "information" pertaining to virtually all aspects of development, available from the United Nations organizations as a group. In harmonizing norms, standards and regulations, for example, this store of knowledge can be mobilized to assist nation States' integration into global economic and other relations. When it is properly utilized, the country in question benefits directly as well as indirectly from greater credibility, predictability and transparency of policy commitments; in any case, it facilitates improved coordination at various multilateral levels.

7. While international assistance is important in weathering the set-backs of the transformation strategies, in the final analysis integration of a country into the world economy is largely a function of developments in trading and financial links as well as of changes in the communication and transport infrastructure and technology. The recent dynamics in trade and finance of the economies in transition have continued to be monitored in a number of United Nations documents, including recent issues of Economic Survey of Europe, Economic Bulletin for Europe, Economic and Social Survey of Asia and the Pacific and World Economic and Social Survey, as well as in several reports of specialized agencies.

8. A more buoyant international economy, particularly in Western Europe, and increased access to markets can do much to speed up the process of integration. Access to markets, particularly those of the European Union, for the goods for which the economies in transition have spare production capacity and a comparative advantage, continues to be hindered by protective measures, in spite of considerable relaxation achieved through the various trade and cooperation agreements recently signed with the European Union and European Free Trade Association (EFTA). This affects in particular the so-called sensitive products, in the agricultural, chemical, footwear, metallurgical, and textile and clothing sectors.

9. The share of the developing countries in the trade of most economies in transition, although it has recently risen, remains generally quite small. This indicates considerable potential for further growth.

10. There are opportunities for expanding trade and cooperation among the economies in transition themselves. Recovery and expansion of regional trade would be of particular importance for the members of the Commonwealth of Independent States (CIS), which at least for now have limited possibilities of establishing free-trading agreements with Western European integration groupings. However, the market institutions for facilitating intragroup trade and broader economic cooperation, even when free-trading arrangements are in

place, such as in the Central European Free Trade Agreement (CEFTA), continue to be rather primitive and need to be enhanced in areas such as export-insurance and export-guarantee facilities, the clearing of reciprocal settlements and the regular financing of trade.

11. The ratification and implementation of the Uruguay Round of multilateral trade negotiations, in which several economies in transition actively participated, should exert a major impact on the integration of these countries in the world economy, especially by reinforcing trade links. It should also speed up the accession negotiations for countries that are not yet in the General Agreement on Tariffs and Trade (GATT) framework but have already expressed a keen interest in joining the World Trade Organization (WTO). The same applies for their official agreements with the European Union and EFTA.

12. All the organizations that responded to the request for information for this report indicated that they had gone beyond the formulation stage to the operational delivery phase of assistance - since, at the latest, 1993. While the process of transformation is still going on, the experience gained by support partners - largely the United Nations system - should lead to more effective and efficient partnership.

13. Given the nature and range of assistance required by the economies in transition, there is widespread recognition among the institutions involved that improved coordination is essential at the level of the international community in general, and the United Nations system in particular. This conclusion was reiterated at a recent meeting of the Administrative Committee on Coordination (ACC) devoted to these issues, which called for strengthened inter-agency coordination at the country, regional and global levels.

14. At the global level, departments at United Nations Headquarters, particularly the Department for Economic and Social Information and Policy Analysis, and the Department for Development Support and Management Services, will endeavour to ensure the linkage and flow of information between country and regional programme activities and global programmes relating to the problems of integration of the economies in transition into the world economy.

15. Although regional structures have evolved in different ways in the different organizations of the system, there is a need to enhance the collective ability of the system so as to mobilize regional resources in support of the integration of the economies in transition, and to exploit fully the opportunities that exist for regional approaches and solutions. It is important, therefore, to strengthen further the capacity of the regional commissions to facilitate cooperation and to coordinate activities within the United Nations system designed to provide assistance to the economies in transition in their respective regions. In this task, they will work even more closely with non-United Nations organizations active within their regions. The Economic Commission for Europe (ECE) and the Economic and Social Commission for Asia and the Pacific (ESCAP) will also foster greater cooperation with each other in providing assistance to the States that are members of both commissions.

16. Coordination at the national level of assistance provided by the United Nations system to economies in transition will continue to be the responsibility of the resident coordinator. Accordingly, strengthening the resident coordinator system remains a crucial objective. Such a system and the wider communications network will facilitate a concerted approach by the organizations of the United Nations system in promoting assistance at the country level. The United Nations Development Programme (UNDP) will play a central role in these arrangements; it will make full use of the expertise and experience of the organization of the United Nations system through upstream consultations in assisting Governments in the preparation of country-level programmes.

17. In relation to the above arrangements, it is relevant to note that the Secretary-General has recently requested the Administrator of UNDP to assist him in ensuring policy coherence and enhancing coordination within the United Nations itself, in particular among departments at Headquarters, the regional commissions, and the funds and programmes of the Organization. He has also entrusted the Administrator with overall responsibility for assisting him in improving system-wide coordination of operational activities for development, including the strengthening of the resident coordinator system.

18. Given the wide array of unmet needs, most agencies emphasize that they would be capable of responding to one or several of the assessed needs if additional resources were made available. Existing budgets leave only limited scope for incremental assistance. In many cases, ad hoc funds have been sought. In spite of the fact that incremental resources might go a long way in providing the required assistance, they have not yet been found. Additional efforts will therefore be required to identify and mobilize fresh official resources that, at this juncture, appear to have a high rate of social return.

II. OVERALL SETTING OF THE ECONOMIES IN TRANSITION

19. The year 1994 is already the fifth year of transition in some of the economies in transition. Output performances in 1993 varied from positive growth in some countries (including Albania, Poland, Romania and Slovenia) to a steep fall in many of the successor States of the former Soviet Union (see table 1), with eastern Europe as a group undergoing the contraction to some 3 per cent as compared with 12 and 7 per cent in 1991 and 1992 respectively, but with the countries belonging to the Commonwealth of Independent States (CIS) incurring a worsening of their performance, with output declining on average by 20 and 13 per cent in 1992 and 1993. The brunt of the contraction has occurred in industry, where deep recession continues in virtually all countries in marked contrast with performances in service sectors. Even in the countries with moderate growth in 1993 or 1994, activity levels, especially for industrial production, remain far below those reached the year prior to the inauguration of the transition phase. 1/ This mixed picture stems in part from the divergent policies and approaches to transformation adopted by individual countries, the particular constellation of the external environment and especially the different "initial conditions" for systemic transformation.

Table 1. Economies in transition: economic performances, 1990-1994

(Percentage change over same period of preceding year)

	Gross domestic product (GDP)				Industrial output			
	1991	1992	1993	1994 a/	1991	1992	1993	1994 a/
Eastern Europe								
Albania	-29.4	-6.0	11.0	..	-30.0	..	..	..
Bulgaria	-11.7	-7.7	-6.0	..	-22.2	-16.2	-9.4	..
Czech Republic	-14.2	-7.1	-0.5	3.5	-24.4	-10.6	-7.1	..
Hungary	-11.9	-5.0	-2.0	..	-19.1	-9.8	3.8	9.5
Poland	-7.6	1.5	4.0	..	-11.9	3.9	7.4	10.8
Romania	-13.7	-15.4	1.0	..	-18.7	-22.1	1.3	1.1
Slovakia	-11.2	-7.0	-4.7	..	-25.4	-12.9	-15.4	..
Yugoslavia								
Bosnia and Herzegovina				..	-10.5	-25.0	..	..
Croatia b/	-29.0	-8.0	-8.0	..	-14.7	-5.9	-8.0	..
Slovenia b/	-9.3	-6.0	1.0	..	-12.4	-13.2	-2.8	3.5
The former Yugoslav Republic of Macedonia b/	-12.1	-13.4	-15.0	..	-17.3	-15.5	-15.0	..
Yugoslavia (Federal Republic of) b/	-11.2	-26.1	-30.3	..	-17.6	-22.4	-37.4	-25.7
Baltic States								
Estonia	-10.0	-14.4	-7.8	..	-9.0	-38.9	26.6	-0.2
Latvia	-8.3	-33.8	-19.9	-4.2	-0.6	-35.1	-34.6	-11.2
Lithuania	-13.1	-39.3	-17.0	-25.2	-4.9	-51.6	-46.0	-32.6
CIS								
Armenia	-8.8	-52.3	-14.8	..	-7.7	-52.5	-11.1	-9.5
Azerbaijan	-0.7	-35.2	..	-24.0	4.8	-23.7	-6.9	-24.3
Belarus	-1.0	-10.0	-9.0	..	-1.0	-9.4	-10.0	-34.7
Georgia	-20.1	-40.0	-39.4	..	..	..	..	-71.6
Kazakhstan	-11.8	-13.0	-12.9	-30.0	-0.9	-13.8	-16.0	-30.9
Kyrgyzstan	-4.2	-16.4	-16.4	-30.5	-0.3	-26.4	-24.3	-33.0
Republic of Moldova c/	-18.0	-21.3	-4.0	..	-11.1	-21.7	-10.0	-28.0
Russian Federation	-12.5	-19.2	-12.0	-17.0	-8.0	-18.0	-16.2	-24.9
Tajikistan	..	..	-17.3	-12.0	-3.6	-24.2	-19.6	-17.3
Turkmenistan c/	-4.7	..	7.8	..	4.8	-16.7	5.3	-20.2
Ukraine	-12.0	-17.0	-14.0	-34.0	-4.8	-9.0	-10.1	-38.4
Uzbekistan	-0.5	-11.1	-2.4	-6.8	1.5	-6.7	-7.0	-8.4

(Source and footnotes on following page)

(Source and footnotes to table 1)

Source: Department for Economic and Social Information and Policy Analysis of the United Nations Secretariat, based on national and international sources.

Note: The symbol comprising two dots (..) used in the table indicates that data are unavailable.

a/ First quarter.

b/ Gross material product (value added of the material sphere including depreciation).

c/ Net material product produced.

20. The mixed results to date suggest that some of these economies (including Albania, Poland and Slovenia and, increasingly, also the Czech Republic, Hungaryand Romania) have begun their recovery, albeit slowly and from fairly low levels of economic activity. These countries have attained a considerable measure of macroeconomic stability, judged by such indicators as pace of inflation, domestic budget imbalances and pressures on exchange rates and reserves. Yet, stabilization is still beyond the reach of nearly all the economies in transition.

21. Many new problems have emerged and some, such as high unemployment, whether measured or not, 2/ heavy indebtedness of State-owned enterprises, weak commercial banking sectors, inadequate supervision of financial institutions, pressures on domestic budget balances and external imbalances, have assumed great importance. They are all posing new challenges to government policies; and in the face of the challenges coming from the unemployment situation, the curbs on social spending and domestic frictions would still be severe regardless of the amount and composition of assistance that the international community was able to deliver.

22. Managing the various transition processes will be much more challenging than was originally imagined. However, the outlook for the economies that adopted radical reform programmes (such as Poland) or for those whose initial conditions were relatively more favourable (such as the Czech Republic, Hungary and Slovenia) is at this particular juncture more encouraging than a year ago. While it is as yet unclear whether the necessary foundations for self-sustainable growth have been duly laid in any of these countries, there is no doubt that those on the mend have made substantial progress towards integrating themselves into the global economy and are already benefiting from such integration. Furthermore, most can expect to benefit from preferential trading arrangements within the framework of various agreements - including the Europe Agreement for the eastern European countries and the Partnership Agreement for countries of CIS - signed with the European Union. Association agreements aimed at free trade, particularly for manufactured products, have also been signed between the Baltic States and eastern Europe and EFTA.

23. Pressures on the current account in many countries have recently gathered strength once again, idle capacity is being reabsorbed only slowly and, with some exceptions, actual unemployment rates have escalated rapidly. In some countries, pressures for retrenching on external liberalization have actually led policy makers to be more protectionist in their external regimes than was originally anticipated. In spite of some successes, the pace of privatization, particularly of medium to large State-owned enterprises, continues to be sluggish.

24. Some of the problems encountered can be attributed to the absence or the weak nature of, or the lack of experience with, market institutions. This has been particularly the case in commercial and property-rights jurisprudence, the regulation of emerging financial markets and the achievement of more effective financial intermediation, even when costly solutions to cleaning out enterprise and/or bank portfolios have been adopted.

25. The unexpected difficulties with the transformation agenda have continued to pose an extraordinary challenge to global economic management in general and to the delivery of assistance in the right amount, in the right sequence and at the right time. The benefits anticipated earlier of moving towards market-based resource allocation in a pluralistic political environment have yet to materialize fully.

26. The emerging economic recovery in some of these economies, particularly those that had early on adopted bold programmes, certainly intimates that the transformation process is beginning to yield results. Whether these signs can also be interpreted as harbingers of a longer-term, self-sustainable growth path is a different matter. In several of these countries, the upturn appears to be led mainly by consumption, while both investments and exports are stagnating or contracting. This pattern was observed in 1993 at least in Albania, Hungary and Poland.

27. Some recovery in investments is likely in 1994, particularly in countries (such as Poland and Slovenia) that have already achieved considerable progress with structural reforms, notably in the enterprise sphere. Matters are less certain for other countries in the vanguard of transformation, owing to the difficulties in restructuring large enterprises (as in the Czech Republic and Slovakia) and the twin problems of fiscal and external deficits (as in Hungary). Elsewhere, there is little prospect for a solid recovery, let alone for a sharp upturn in productive investment. Also, the impetus to infrastructural investment in its broad sense - involving projects that are likely to elicit buoyant private sector investments - is likely to remain weak, owing to highly strained government budgets, comparatively low levels of savings, weak banking sectors with portfolios still burdened by bad loans, uncertainty about the course of privatization and high interest rates. Without a strong upturn in investments, it is difficult to see the process of self-sustainable growth taking off.

III. INTEGRATING THE ECONOMIES IN TRANSITION INTO THE WORLD ECONOMY

28. At the inception of the transformations, national policy makers, executives and managers of regional and international organizations and many analysts maintained ambitious targets for transforming and merging the economies in transition into the global economy. In many respects, these ambitions have since been frustrated, in part because the initial aspirations were well out of line with the realities of the economies in transition, including their ability to absorb adjustment costs, undertake quick and substantial changes in institutions, modify behavioural patterns of economic agents and attract sizeable resource flows in various forms, private as well as official, from abroad. Yet, major progress has been made on several fronts by several of these economies.

Foreign trade flows

29. As regards developments in foreign trade, mixed tendencies have been observed since the inception of market orientation in 1990 (see table 2). Initially, following domestic liberalization and macroeconomic stabilization, most of the countries in transition registered a surge in exports and a sharp compression of imports. Soon thereafter, about one to two years into the transition, most of them began to experience difficulties in maintaining a balance in their external accounts. While imports generally increased, exports fell or stagnated, as a result, among other factors, of the collapse of the markets that had been reserved for them within the context of the Council for Mutual Economic Assistance (CMEA), the severe recession in western Europe and the absence of strong export-oriented policies.

30. In 1993, the officially reported dollar value of exports fell in Bulgaria, Croatia, Hungary, Slovakia, Slovenia and most CIS States, but remained broadly unchanged in the Russian Federation and increased in the Czech Republic, 3/ Poland, Romania and the Baltic States. However, the dollar value of imports rose in all countries, except Bulgaria, Romania and the Russian Federation. Even in the latter, the decline was as a rule less than for exports, resulting in a substantial deterioration of the trade balance in all eastern European economies, except the Czech Republic and Romania; the overall trade deficit reached nearly $12 billion. The CIS countries as a group, however, posted a positive trade balance of $18 billion, chiefly on account of the Russian Federation. 4/

31. The early results for 1994 indicate a surge in exports and a tendency to narrow trade imbalances. 5/ The better trade performance of the countries that are more advanced in their transformation stems largely from the gradual recovery of demand in Western Europe, in some cases (as in Hungary) helped along by currency devaluation. The officially reported improvement in the trade balance of the Russian Federation, achieved largely by a further sharp compression of imports (some 31 per cent in dollar terms during the first quarter of 1994), is worrisome: imports from countries other than the successor States of the former Soviet Union are now less than one third their 1991 level - roughly on a par with those from Poland. A similar import compression-cum-improved trade balance appears to have continued in Belarus, Kazakhstan and Turkmenistan. In intragroup trade, particularly among the CIS States, the contraction continued in early 1994. Though exports of Estonia and Lithuania have so far expanded rapidly in 1994, their pace of imports has also surged; thus the trade deficits recorded in recent years have continued. Latvia, on the other hand, experienced a sharp drop in exports with a broadly unchanged level of imports, which turned its 1993 surplus into a deficit in early 1994.

Table 2. Economies in transition: changes in trade, 1991-1993

(Growth rates as percentage of that for corresponding period of preceding years; trade balances in billions of dollars)

	Exports			Imports			Trade balance		
Country and partners a/	1991	1992	1993	1991	1992	1993	1991	1992	1993
Bulgaria									
World	-34.2	1.6	-8.7	51.5	27.5	-3.4	0.7		0.7
Economies in transition	-27.8	-25.7	-17.5	-43.1	-4.3	14.3	0.6	0.2	0.6
Developed market economies	-36.3	61.6	-6.8	-59.8	79.3	6.0	-0.1	-0.3	0.3
Developing countries	-47.6	14.2	5.8	54.4	26.7	-30.0	0.2	0.1	0.1
Croatia									
World	13.0	-5.0	-6.2	-13.5	-10.4	21.3	-0.5	0.3	0.6
Economies in transition		-18.5	15.5		1.4	3.6	-0.1	-0.2	-0.1
Developed market economies		6.3	-7.5		-5.6	52.3	-0.1	0.2	0.5
Developing countries		-57.0	30.4		-34.7	3.8	-0.3	0.3	-0.2
Czech Republic b/									
World	5.6	3.2	15.5	-7.2	14.6	0.5	0.4	-0.9	0.1
Economies in transition	6.8	-33.0	-0.6	0.3	-10.2	-14.2		-1.0	-0.2
Developed market economies	6.9	26.4	19.5	-13.7	39.6	5.2	0.3	-0.4	0.4
Developing countries	-6.0	27.4	24.2	4.4	-20.4	6.5	0.1	0.5	0.5
Hungary									
World	5.1	4.1	-16.8	30.2	-3.2	13.2	-1.2	-0.4	-3.6
Economies in transition	-26.8	3.2	-6.0	2.8	1.8	32.9	-0.3	-0.3	-1.4
Developed market economies	21.4	6.9	21.0	44.3	-1.7	5.9	-0.9	-0.3	-2.1
Developing countries	21.8	-23.9	-8.0	29.0	-46.5	15.3	0.1	0.1	-0.1
Poland									
World	-18.5	-11.6	7.2	24.3	1.8	18.4	-0.7	-2.7	-4.7
Economies in transition	-62.0	-18.9	-7.7	-42.8	-10.3	-2.2	-0.5	-0.7	0.7
Developed market economies	13.7	-13.8	12.2	71.7	6.9	24.8	0.3	0.2	-1.7
Developing countries	-15.5	26.8	-2.5	151.0	-8.5	6.9	-0.5		-0.3
Romania									
World	-7.1	5.2	5.6	-17.6	8.2	-3.6	1.4	1.7	1.1
Economies in transition	29.2	-16.3	3.0	8.9	-8.5	-0.9	0.2	-0.3	0.2
Developed market economies	-22.8	1.3	7.3	-9.4	40.3	15.6	-0.1	1.2	1.1
Developing countries	11.9	55.4	14.4	12.7	-17.2	11.5	0.9		0.2
Slovakia									
World		6.5	-5.6 c/		1.1	2.1 c/			-1.4 c/
Economies in transition			-7.1 c/			1.9 c/			-1.4 c/
Developed market economies			-8.3 c/			16.3 c/			c/
Developing countries			4.1 c/			14.1 c/			-0.1 c/

/...

Country and partners a/	Exports			Imports			Trade balance		
	1991	1992	1993	1991	1992	1993	1991	1992	1993
Slovenia									
World	-6.3	8.0	-8.9	-12.5	0.1	5.7	-0.3	..	-0.4
Economies in transition	..	14.7	-20.3	..	4.9	-28.8	..	-0.1	0.3
Developed market economies	.	13.4	-3.8	.	-0.9	17.3	-0.3	0.1	0.3
Developing countries	.	-6.3	-9.2	.	3.1	67.7	..	..	-0.2
Russian Federation/ former Soviet Union d/									
World	-24.6	-25.2	1.4	-35.9	-21.3	-27.1	1.3	5.4	16.0
Economies in transition	-35.1	-25.8	-12.6	-35.9	-42.8	-14.7	-0.3	4.3	3.9
Eastern Europe e/	-48.8	-32.7 f/	-7.9 f/	-51.6	-49.7 f/	-46.1 f/	0.5	2.7 f/	4.6 f/
Developed market economies	-16.2	-20.3	4.6	-31.0	-13.0	-36.9	.	1.5	11.1
Developing countries	-29.0	-44.0	23.1	-35.8	-2.6	-4.5	1.6	-0.4	1.0

Source: Department for Economic and Social Information and Policy Analysis of the United Nations Secretariat based on national and international sources, and on the methodology explained in Economic Survey of Europe in 1993-1994 (United Nations publication, Sales No. E.94.II.E.1), table 3.5.3.

Note: The symbol comprising two dots (..) used in the table indicates that data are unavailable.

a/ Partner groupings are presented according to past practices of the national statistical sources, which differ from the breakdown usually employed in United Nations publications. Thus, "economies in transition" includes the former Yugoslavia and Cuba, in addition to the eastern European countries, the Soviet Union, and the erstwhile Asian planned economies.

b/ Growth rates in 1991-1992 refer to the former Czechoslovakia, and those for 1993 to the Czech Republic.

c/ January-September 1993 relative to the same period in 1992.

d/ 1991 data refer to trade of the former Soviet Union.

e/ Excluding Yugoslavia.

f/ Russian Federation trade with all former Council for Mutual Economic Assistance (CMEA) members (including Cuba, Mongolia and Viet Nam).

32. The most important trade partner of all economies in transition is now the European Union. Both exports to and imports from the latter have continued to surge, although in 1993 the exports of some countries were negatively affected by the protracted recession in Western Europe. Whatever the precise cause, there has been considerable apprehension in policy circles about the sizeable deficit that many of the economies in transition have incurred with the European Union in the past years. In and of itself, this deficit would not be too worrisome if countries were exhausting their productive capacity and net inflows of capital from the European Union continued to be positive - after all, this is precisely what one essential component of the transformations in the eastern part of Europe should be. What is worrisome, however, is that several economies in transition have recently experienced problems in accessing the markets of the European Union for the products regarding which they now possess excess capacity and comparative advantage.

33. The end of the recession in Western Europe and the expansion in market access coming from the implementation of the various trade and cooperation agreements should improve matters. To gain maximum benefit from these export markets, the economies in transition will have to bolster their capacities to export competitive goods, but this has been difficult because of low domestic investment levels and lower-than-expected inflows of FDI.

34. Though the main partner in the recent surge and diversion of trade of the economies in transition has been the European Union, the developing countries as a group appear to have performed generally rather well. Their share increased in the total trade of nearly all the economies in transition, especially in that of the Russian Federation, where there has been a sharp upturn in trade with China and the newly industrializing Asian economies. Despite the recent expansion, the share of the developing countries in the overall trade of the economies in transition remains relatively low, varying between 4 and 12 per cent, except in the case of Bulgaria and Romania, where it exceeds one fifth.

35. Other ways of anchoring the economies in transition more solidly into the global economy have not functioned as smoothly as envisaged earlier. Assistance delivered has lagged well behind expectations. Private flows, notably FDI, have been far smaller than anticipated. The beneficial effects of FDI have in several cases been offset by capital flight or debt-service flows.

Financial flows other than FDI

36. Access to international capital markets continues to be limited because of the generally negative perception of the area by creditors, which is caused in part by levels of indebtedness and uncertainty about how and when these economies will succeed in achieving economic, political and social stability. As a result, the inflow of private capital has continued to play a marginal role in economic restructuring. The situation may improve in 1994 for Bulgaria and Poland, both of which managed, after protracted negotiations, to strike a sizeable debt reduction deal with London Club creditors, after the Paris Club had already agreed to a reduction and restructuring of their official debt. In practice, only the Czech Republic and Hungary appear able to avail themselves of a wide range of both public and private funds. Thus, out of the total of

$13.5 billion in outstanding bonds and loans raised by economies in transition in international markets during 1989-1993, Hungary accounts for $10.4 billion (of which nearly half was raised in 1993) and the Czech Republic for $0.9 billion.

37. Private commercial banks continue to be reluctant to lend to the economies in transition. Publicized medium- and long-term loans amounted to less than $0.5 billion in 1993 and were almost entirely concentrated in low-risk countries: the Czech Republic, Hungary and Slovenia.

38. Given the generally modest flows of private capital, official funding will continue to be a key element of support for these economies for some time to come. Large commitments have been made by the European Union and individual Western countries, in the form of export credits, guarantees and grants, and by the European Investment Bank, principally for infrastructural projects. The International Monetary Fund (IMF) and the World Bank have used a variety of credit facilities. Nevertheless, total official flows to the economies in transition fell from $23 billion in 1991 to $15 billion in 1993. A large part of these amounts were credit guarantees, which would represent a transfer of resources only if these facilities were utilized by exporters.

39. Although gross annual flows of finance into the economies in transition have been considerable in recent years, on a net basis they have been much less impressive. Depending on the measure used, and bearing in mind the considerable uncertainty that surrounds the available statistics, the net transfer of resources was actually negative in 1991-1992; it became positive only in 1993 for most eastern European countries, but it remained largely negative for the Russian Federation, which, in addition, experienced considerable capital flight.

Foreign direct investment

40. At the outset of the transitions, many observers felt that FDI would mobilize the resources required to finance a good part of the transformation effort. In conjunction with the operation of transnational corporations, it was hoped that FDI would also usher into those countries modern technology, and more up-to-date management and organizational methods, as well as provide access to Western markets. Some even feared that the attractiveness of the region, because of low wages, generally highly skilled labour and geographical proximity to Western European markets, might divert FDI flows away from other destinations, including developing countries.

41. The required or anticipated inflow of resources has not been reached nor has the diversion of FDI flows from other regions so far materialized. The economic decline and the inadequate regulatory framework in the economies in transition are partly responsible for the lack of investor interest. However, the potential for significant FDI inflows in the future, as greater economic, political and social stability is regained, remains considerable.

42. FDI flows into the economies in transition remain small by world standards. From a base of nearly zero prior to the inception of the transitions, FDI flows in 1991 amounted to some $2.6 billion and reached over $5 billion in 1993, for a cumulative total of some $13 billion invested in some 50,000 foreign affiliates

(or perhaps $19 billion in some 100,000 foreign affiliates if committed but not yet implemented projects are included). 6/ While these are sizeable sums, they should be kept in perspective: gross FDI inflows into developing countries rose during the period 1991-1993 from $39 billion to $80 billion. 7/

43. These flows have been highly differentiated among the economies in transition and among the types of economic activity. The Central European countries account for some three fourths of the total inward investment and the Russian Federation for one eighth. Most of these flows have been earmarked for manufacturing activities or, in some countries, services, and generally for projects that on average are significantly smaller, in terms of average value, than FDI projects in other countries.

44. FDI flows in part reflect divergences in economic performance and progress in reforms; but they also explain part of the differences. For example, there is evidence to suggest that a good proportion of the export boom and the industrial revival in Poland in the last two years can be attributed to the operations of two major external investors in the automobile sector, both of which have included Poland in their global marketing networks on the input side (for example, motor production) as well as the output side (inclusion of Polish-produced vehicles in their international line-up). This phenomenon has not been limited to Poland; many of the larger investment inflows include one or more of the economies in transition in the relevant transnational corporations' global strategies, thus accelerating the integration of these economies into the world economy.

Participation in international and regional organizations

45. Most economies in transition have taken steps to join international economic organizations with a view to gaining full accession to or regularization of their participation in the regimes in place - notably IMF, the World Bank and the GATT. Whereas nearly all are now members of the first two organizations, full accession to or regularization of their status in the GATT is taking more time than policy makers counted on. Thus, no economy in transition has acceded to the GATT since the political changes of the late 1980s, although most have become observers (except Georgia and Tajikistan). A large number have reacted very favourably to the conclusion of the Uruguay Round of multilateral trade negotiations, expecting from it a new impetus to a rule-based multilateral trading system that would foster greater transparency and predictability in global markets, thereby creating further scope for fair competition.

46. Virtually all these economies have expressed an interest in joining WTO at the earliest opportunity once it commences operations, probably in early 1995. Some of the countries that have association agreements with the European Union (Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia) have seen their so-called Europe Agreement fully ratified, so that elements other than trade facilitation, which was inaugurated speedily, can now be pursued with determination. The process of further ratification is continuing. New association agreements are being explored, notably with Slovenia and possibly the Baltic States. The first Partnership Agreement has recently been signed with Ukraine, followed by the Russian Federation, and several other CIS States,

including Kazakhstan, Kyrgyzstan and the Republic of Moldova. Free-trade agreements between the European Union and the Baltic States are slated to come into effect as of 1995. The Baltic States and the six eastern European countries have also worked out free-trade arrangements with EFTA. Slovenia has in the meantime signed bilateral free-trade agreements with the Czech Republic, Hungary and Slovakia.

IV. REPLIES FROM UNITED NATIONS AGENCIES AND ORGANIZATIONS

47. The following bodies, programmes and agencies were contacted with a view to obtaining their inputs into the present report: the United Nations Children's Fund (UNICEF), the United Nations Conference on Trade and Development (UNCTAD), UNDP, the United Nations Environment Programme/the United Nations Centre for Human Settlements (Habitat) (UNEP/UNCHS), the United Nations Population Fund (UNFPA), the World Food Programme (WFP), ECE, ESCAP, the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations International Drug Control Programme (UNDCP), the International Labour Organization (ILO), the Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Civil Aviation Organization (ICAO), the World Health Organization (WHO), the World Bank, IMF, the International Telecommunication Union (ITU), the World Meteorological Organization (WMO), the International Maritime Organization (IMO), the World Intellectual Property Organization (WIPO), the United Nations Industrial Development Organization (UNIDO), the International Atomic Energy Agency (IAEA) and the GATT. Departments at Headquarters were invited to submit their views. Highlights of the replies are given below.

48. The role of the United Nations system in assisting the economies in transition during their unprecedented transformation and in bringing them more fully into the global economic environment was examined in detail in document A/48/317. In the course of 1993-1994, the organizations concerned have further refined their programmes, begun to implement the conclusions of their initial fact-finding missions or expanded their programmes to include more countries and address problems not previously tackled adequately. This process has been facilitated by the fact that, by now, virtually all economies in transition have joined the United Nations system organizations.

49. Not all the support of the United Nations system is directly related to the integration of these economies in the world economy. None the less, assistance efforts, whatever their purpose, should ultimately lead to an improved domestic socio-economic, political and institutional environment, thus solidifying the foundations for not only a more flexible and dynamic economy, but also one in which interaction with external forces becomes more smooth. What follows is a summary of recent actions and future programmes by central Secretariat bodies and agencies of the United Nations system.

Departments at Headquarters

50. Among the departments at Headquarters, assistance, including analytical and technical reports, has been provided on such topics as the process of macroeconomic stabilization, trade liberalization, privatization, institution-

building, how best to elicit FDI, entrepreneurship, criminal justice and social safety nets. In some cases, these needs have been accommodated through the creation of new departments or by revamping existing programmes.

51. The Department for Development Support and Management Services of the United Nations Secretariat is the focal point at Headquarters for the provision of management services and implementation functions for technical cooperation. As such, it has "executory" capabilities in a number of areas, ranging from economic policy and planning, to privatization, human resource development and governance. Through administrative structuring, including appropriate management systems, the Department for Development Support and Management Services seeks to strengthen capacity-building in the public sector towards improved government accountability and transparency. By strengthening institutional and human resources in response to the changing needs of the economies in transition, the Department for Development Support and Management Services fosters transparent and pragmatic linkages at the country level between public and private sectors. In this, it tries to make up for the as yet incomplete institutional and legislative mechanisms required to smooth the transition process.

52. In its technical assistance delivery activities, the Department for Development Support and Management Services focuses on strengthening national management capacities. These entail the need to sequence operations through a streamlined phased approach, while duly factoring gains and needs so as to address the chronic unemployment situation, the social costs of the transformation and the poverty implications of the remaking of the societies concerned. These activities are concentrated in a special Transition Economies Unit, which also serves as the focal point for facilitating coordination with other bodies, notably UNICEF and UNDP (particularly with respect to technical cooperation among developing countries (TCDC) and the Management Development Programme (MDP). In that context, the Department for Development Support and Management Services has organized workshops, seminars and ad hoc expert groups on such topics as FDI, microeconomic policy reform and special economic zones.

53. In the near term, the Department for Development Support and Management Services intends to concentrate its technical cooperation activities on the long-term sustainability of the transformation of the economies in transition. It will provide for the delivery of multisectoral technical cooperation and training in the areas of strengthening comprehensive public sector management capacities required for market development, sustainable transformation and integration into the world economy. Highest priority will be accorded to providing suitable training materials and to imparting a catalytic approach to training in integrated management for sustainable transformation together with institutional capacity-building through a series of seminars and the production of training materials.

UNICEF

54. Since 1990, UNICEF has undertaken considerable analytical work, which is being documented in studies released through the International Child Development Centre (Florence, Italy) regarding its role in assisting economies in transition, particularly in terms of social welfare issues (notably poverty,

birth contraction, escalation of death rates, declining school enrolment and a worsening crime rate) in close cooperation with central statistical offices and policy centres of the region. This has been useful not only to Governments but also to the work of other international organizations.

55. In programmatic terms, UNICEF has initiated country-specific situation analyses of children and women that should be completed by early 1995 and should find their way directly into the setting of UNICEF's priorities in any given country. As a follow-up to the World Summit for Children, Governments have prepared, with UNICEF assistance (including through collaborative missions with WHO, and the participation of UNDP, UNFPA and WFP), national plans of action as programmatic frameworks for child-related interventions with the goals of achieving specific objectives by the year 2000, of supporting various types of health-care activities and of alleviating urgent problems of children and mothers, chiefly through vaccination programmes and epidemiology surveillance accompanied by targeted actions. These short-term country programmes are expected to be extended for another five years in 1995. UNICEF has furthermore advocated the ratification of the Convention on the Rights of the Child, which has now been ratified by nearly all economies in transition, 8/ and has been monitoring the reporting obligations of these countries regarding implementation of the Convention.

UNCTAD

56. UNCTAD has continued its activities dealing with economies in transition, including their relations with developing countries. It facilitates their integration into the world economy by providing a forum for intergovernmental consultations, by preparing analyses and by carrying out technical assistance activities in the areas of international negotiations, implementation of the Uruguay Round agreements, regional integration and cooperation with developing countries. All these activities can be allocated to two broad fields.

57. First, UNCTAD has undertaken research and policy analyses on pertinent issues, including the integration of economies in transition into the world economy. Examples of recent publications are Trade and Development Report, 1993 9/ and World Investment Report, 1993: Transnational Corporations and Integrated International Production, 10/ as well as the work undertaken in the areas of privatization and enterprise development, transnational corporations and trade, including its reports to the Trade and Development Board at the second part of its fortieth session (18-29 April 1994) on trade policies, structural adjustment and economic policy reform.

58. Second, UNCTAD has been engaged in the conceptualization and implementation of an array of technical assistance activities. These relate in particular to trade between economies in transition and developing countries. Other areas in which UNCTAD has been active are privatization strategies, opportunities for and the need to undertake accounting reforms, strategies to invite FDI and negotiate with transnational corporations, strategies to access modern technology, customs modernization and automation, the establishment of trade points and training seminars in maritime transport management.

59. Several other technical assistance projects are in an advanced stage of preparation. They include a regional project on trade in commodities, for which advisory work has already been accomplished, several workshops have already been organized and follow-up actions, particularly in the fields of cocoa and coffee and the import strategies for grains, sugar and wheat, are being planned; a regional preparatory assistance project on intra-CIS trade and strengthening trade capacities of CIS and Baltic States, which, once extrabudgetary funds have been mobilized, is expected to lead to the adoption of a regional assistance programme for the successor States of the former USSR, including strengthening of their capacities to participate effectively in the international trading system and to develop trade with developing countries; and a national workshop in a CIS country with trade counsellors of developing countries. UNCTAD has identified the need to choose cooperating partners carefully, including smaller independent firms that are now gradually emerging, in order to ensure success.

UNDP

60. UNDP has continued to expand its technical assistance activities. In accordance with General Assembly resolution 48/181, UNDP is providing coordinating services at the country level, and several United Nations bodies have accepted its assumption of their country representation function. In many of the countries in transition, it has encouraged the preparation of short-term country frameworks as a basis for identifying priority areas where the Government would like to receive the advice and assistance of the international community.

61. In partnership with the World Bank, UNDP has participated in joint missions necessary for the preparation of studies and analyses for the organization of consultative groups for all countries. It has also developed and is implementing "umbrella projects" providing rapid and highly substantive advice and technical support in priority areas. Under these projects, the Government is able to draw upon expert advice from a variety of sources, including specialized agencies and bodies of the United Nations system. Over the longer term, these joint missions have helped to identify areas for concentration by future programmes which include building national capacity to manage and coordinate external aid; strengthening the linkage between the transition to a market economy and democracy; reorienting the transition towards human development and support to the social sector; and establishing new and equitable forms of regional cooperation and policy dialogue.

62. UNDP, with the assistance of the World Bank, has helped to establish within government for a number of countries a unit for the effective management of external resources from all sources. This unit can serve as a central source of information on the countries' development activities as well as the different priorities and in this way help avoid duplication and maximize the effectiveness of external assistance.

63. With a special grant from a donor, UNDP has established a regional project aimed at addressing the need for information and interpretation of the transition process on the basis of shared experience. As a first step, a symposium will be convened in the latter part of 1994 to sensitize and provide guidance in the preparation of national human development reports. The regional

programme has been geared to providing advice in a number of areas such as trade policy and support to intraregional trade, strengthening of radiation protection and nuclear safety, the turn-around management programme and action programmes for the Aral and Caspian seas. For the turn-around management programme, funding has been provided by the European Development Bank and the European Union as well as UNDP.

64. UNDP is actively seeking funds in support of an initiative to establish a "Democracy, Governance and Citizens' Participation Facility".

65. UNDP has developed programmes to train the staff of Ministries of Foreign Affairs so that countries may better participate in negotiations concerning complex international issues. Similarly, programmes have been designed in order that women may play a greater role in all aspects of modern society, especially those involved with social issues.

UNEP/UNCHS

66. Because of UNEP's mandate to coordinate and catalyse environmental activities worldwide, the greater part of its assistance to economies in transition has been in the context of global or interregional programmes, such as the Global Environmental Monitoring System (GEMS). Most economies in transition have now joined GEMS. Among other activities, it supports riparian countries in planning regional programmes for environmental management and protection of rivers and seas and undertakes training in Awareness and Preparedness for Emergencies at the Local Level, particularly as concerns the link between industry and the environment. It delivers this assistance within its own programmes or in close cooperation with UNDP and the World Bank (for instance, through the Environmental Management Plan for the Danube River Basin) and with ECE (for instance, by strengthening environmental management capabilities in many economies in transition). Furthermore, numerous research and training activities on a variety of topics took place in the region either fully sponsored or co-sponsored by UNEP (such as training seminars on policies, methods and procedures of integrating environmental management with economic planning).

67. Several large projects have been approved within the framework of the Global Environment Facility, jointly operated by the World Bank, UNDP and UNEP. Through its Regional Advisory Services project, UNEP has supported a number of trainees from economies in transition and eased the financial strain of the participation of experts from these countries in environmental meetings. Finally, UNEP has contributed, in the context of the April 1993 conference "Environment for Europe", to the elaboration of the Environmental Action Programme for Central and Eastern Europe. As part of this process, UNEP, jointly with WHO, supported a workshop on priority health issues in relation to policies and investments in economies in transition.

68. In view of the formidable environmental challenges in virtually all economies in transition, "UNEP in Europe" has been developed as a regional programme, aiming at assessing the global impact of the state of the environment and the corrective measures taken to improve it, at facilitating the transfer of technology and at supporting environmental action in the targeted countries.

Future activities will be integrated within the context of this programme, taking into account the recommendations of Agenda 21, 11/ the 1993 Lucerne Conference on Environment for Europe and the decisions adopted by the Governing Council of UNEP at its seventeenth session of May 1993, including the one to set aside in the programme budget for 1994-1995 funds earmarked specifically for economies in transition.

UNFPA

69. Following General Assembly resolution 47/187, UNFPA undertook a series of initiatives, including participation in the international deliberations on assisting the economies in transition, collaborative missions to the successor States of the former Soviet Union and specific assessment missions to the Baltic and Central Asian States. As a result, an emergency supply of contraceptives was provided; the same was organized for Georgia. Furthermore, the mission to the Baltic States recommended assistance for improving family planning services, development of health education materials (including family planning) for schools and provision of information on population issues to the mass media.

70. Particularly as regards the Central Asian countries, UNFPA has concluded that women's reproductive health status is low and marked by high fertility especially among non-European ethnic groups, very short birth intervals, extremely low contraceptive prevalence rates and an alarming rate of induced abortions, in part because of highly limited knowledge of modern contraceptives and shortages of pharmaceuticals and contraceptives, which are not locally produced. It is now considering operational activities in consultation with UNDP, UNICEF and bilateral donors on system-wide strategies for the delivery of assistance. A very close dialogue has been under way also with the United States Agency for International Development (USAID), the World Bank, WHO, Family Health International and the International Planned Parenthood Federation to ensure effective and coordinated intervention in the areas of maternal and child health and family planning. Given the continuing scarcity of contraceptives in these countries and the fact that a pipeline of contraceptive supplies must be established quickly, UNFPA is taking measures to ensure a continuous and reliable supply of contraceptives during the period 1994-1996.

71. Following a request from the Government of the Russian Federation, a needs assessment mission was organized in November 1993, as a result of which UNFPA plans to provide limited support to activities in the areas of reproductive health, including family planning and related information, as well as education and communications, provided funding can be secured. Also in response to a Government request, in June 1994, UNFPA conducted a sectoral review and project formulation mission in the area of family planning that can be expected to elicit donor funds for operational activities and a request for emergency contraceptive supplies. All this will lead up to a comprehensive country programme for Central Asia to be considered by the Executive Board in January 1995.

WFP

72. WFP coordinates, mobilizes, purchases and delivers emergency food assistance to the successor States of the former Soviet Union and of the former

Yugoslavia. It also provides donors with updated estimates of food aid needs as well as all known pledges to meet the identified needs. Furthermore, it delivers food to implementing partners at central warehouses in the various countries targeted for onward distribution to end-beneficiaries. Its priorities in the economies in transition have been the following: (a) meeting the immediate needs of internally displaced persons, refugees and returnees; (b) providing assistance to the most vulnerable groups, such as single mothers, large families, pensioners and the handicapped, in countries where there is a serious deterioration of the economic situation; and (c) saving lives and improving the quality of life as a pre-investment in human resources that, in time, should promote self-reliance through labour-intensive work programmes that create employment and income.

73. Since November 1992, WFP has mobilized a sizeable volume of food aid in the successor States of the former Yugoslavia as emergency relief, assisting 4.1 million refugees, displaced persons and other war-affected persons. Total assistance mobilized since November 1992 has amounted to nearly $0.5 billion. Emergency food aid requirements for 1994 are estimated at some $340 million. In order to ensure that food for humanitarian assistance eventually becomes food for reconstruction and self-sustainable food production, WFP has tabled a proposal for the revival of food-processing plants, including their reconstruction, in selected areas, such as Sarajevo, and is therefore delivering increasingly more grain than wheat flour.

74. Regarding the successor States of the former Soviet Union, by the end of 1993, WFP had set up operations in Armenia, Azerbaijan, Georgia and Tajikistan and has since done likewise in Kyrgyzstan to meet the needs of refugees, internally displaced people and other socially vulnerable groups living far below the poverty line and, in some cases, indeed struggling for their physical survival. The number of people targeted in these five countries is some 2 million. A Caucasus Logistics Advisory Unit was established in late 1993 to monitor food aid shipments, to collect and disseminate information on ports and transport corridor performance and to carry out studies on key logistics sectors, including roads, railroads and ports. While initially insufficient, donor response in the course of 1994 has been more positive. However, total unmet requirements continue to be sizeable - some 72,000 megatons (MT) or $56 million for the period July 1994-March 1995.

75. WFP has also undertaken assessments of logistics and transportation facilities throughout the economies in transition in an effort to identify bottlenecks and set up contingency logistics plans for deliveries to vulnerable regions, should a large-scale emergency erupt. In that context, WFP has further expanded its effective partnership arrangements with recipient Governments, other bodies (including FAO, UNHCR, UNICEF, WHO and the Department of Humanitarian Affairs of the United Nations Secretariat at Headquarters) and bilateral donor programmes, and has elaborated cooperation agreements with non-governmental organizations.

ECE

76. Involvement with the economies in transition has become the dominant part of the work performed at ECE. Two of its principal publications - Economic

Survey of Europe and Economic Bulletin for Europe - monitor and interpret through in-depth analyses such topics as the macroeconomic situation, the state of the transformation process and the external trade and financial links of the economies in transition, including the transfer of financial and other assistance from the global community and the special trading-access arrangements that have recently been provided, notably by the European Union and EFTA. ECE has in addition explored alternative modi operandi to avert the collapse of, and later to revive, intragroup trade and other links among these economies. It has underlined the critical role of greater trade access for so-called sensitive products in Western markets. These annual publications are supplemented by a series of statistical bulletins and other publications reporting on the state of the market in such areas as industry, timber and human settlements.

77. In addition to its analytical involvement in understanding developments in the economies in transition, ECE has also been delivering technical assistance in at least five kinds of activities: trade, industry and technology, agriculture and timber, transport and energy. Building upon its over four decades' experience with the promotion of trade among its members, it has recently been able to play a significant role in facilitating the trade of the economies in transition through various instruments, notably the reduction in transaction costs by the developing of common norms, standards and regulations, as well as in improving the conditions for business development, including through FDI, privatization and trade financing, in the context of the United Nations Rules for Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT), and the development of a coherent and efficient transport system throughout the ECE region. ECE also assists countries in negotiating their accession to the GATT and WTO through the preparation of trade analyses, policy recommendations, advisory services, technical publications and other forms of assistance.

78. In view of the environmental situation in the economies in transition and their wish to be assisted in this area, ECE has organized workshops, which should provide the basis for the development of an action-oriented programme complementary to the Environmental Action Programme for Central and Eastern Europe, approved by the Ministerial Conference held in Lucerne in April 1993. Through the Conference of European Statisticians, ECE has assisted some of the economies in transition so as to incorporate them in ongoing activities at the earliest opportunity. Also, the ECE's population programme, in close cooperation with UNFPA, consists of region-wide, collaborative and policy-relevant projects.

79. In the context of close cooperation with FAO, ECE is involved in the promotion of trade in agriculture and timber products by preparing market reports on the production, trade and consumption of selected commodities, the standardization of perishable products and quality control, and the more general harmonization of standards for agri-food products.

80. The exchange of information on the demand and supply of individual energy carriers (such as coal, gas and electric power) and on the situation of transportation (including networks for gas and electricity exchanges), trade and utilization of these selected energy sources especially facilitates access to world markets for economies in transition. ECE also implements "Energy

Efficiency 2000", a project aiming at enhancing trade and cooperation in energy-efficient, environmentally sound technologies and management practices, in particular between economies in transition and other ECE members.

81. Activities in the areas of industry and technology focus on production, trade and legislation regarding the chemical industry, the steel sector and the engineering industry. The main objective is the promotion of reciprocal trade in such products, including through the removal of technical barriers. As regards the delivery of technical assistance specifically to the economies in transition, ECE has organized seminars and workshops on the promotion of trade in specific products and on the adoption of standard quality and performance tests.

82. In the context of the recent emphasis placed on enhancing regional and country cooperation, and the strengthening of the resident coordinator system, ECE, as the regional representative of the Secretary-General, has been identified as a critical agent in fostering a concerted approach among the various organizations of the United Nations system to assisting the economies in transition. Given the need to enhance the collective ability of the system to mobilize regional resources in support of global development and the integration of the economies in transition, including by exploiting more fully the opportunities that exist for regional approaches and solutions, ECE deems it necessary to further strengthen the capacity of the regional commissions to serve as catalysts for more coherent system-wide strategies. With a view to developing a more coherent approach to assisting the economies in transition and identifying areas for closer cooperation, ECE convened on 20 June 1994 consultations among all organizations of the United Nations system to review overall trends and exchange information on the programmes and initiatives of the various organizations. It intends henceforth to repeat these consultations once a year. As regards the six economies in transition (Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan) that are members both of ECE and of ESCAP, ECE is committed to cooperating closely with ESCAP in formulating assistance programmes and in reinforcing regional cooperative efforts.

ESCAP

83. ESCAP has developed a varied programme of activities, involving both analytical and technical assistance for some of the economies in transition, the emphasis being on the Central Asian Successor States of the former Soviet Union. Analytical activities on these economies are deemed to be necessary because the efforts at economic reform have so far shown few results and these countries continue to rely primarily on their traditional trading partners, most importantly the Russian Federation. Because these countries have shown keen interest in establishing links with other partners, including the various Asian and Pacific economies that are members of ESCAP, but have comparatively little experience in how best to approach this, and because the preconditions for effectively developing new trade and finance links continue to leave much to be desired, ESCAP, either as lead agency or as cooperant with other organizations, such as the Asian Development Bank, has identified a great array of technical assistance needs for these countries, collected quantitative and qualitative information and provided advisory services.

84. Following several recent resolutions of the Commission, the ESCAP secretariat has undertaken a number of activities in favour of economies in transition. These have been included in its work programme for the biennium 1994-1995, although some were already initiated in its preceding work programme. An action programme for regional cooperation in trade and investment calls for studies of the requirements for the integration of the Central Asian States into the regional economy, economic cooperation to overcome their macroeconomic problems and assistance in specific sectors, which have since been identified, following a series of fact-finding missions in 1992. These include training for human resource development and providing experts in minerals, transport, international trade, petroleum legislation, financial legislation, investment promotion and development of tourism. A senior regional adviser on macroeconomic management and economic reform had already been appointed in 1992. Other regional advisers have been actively involved in advising on problems of trade, transport, agriculture and mineral resources.

85. ESCAP has also mobilized extrabudgetary resources to assist representatives of the Central Asian States in participating in sessions of the Commission as well as in several meetings, seminars and workshops organized by the ESCAP secretariat. In addition, several training projects, including three national workshops on economic reforms, were implemented. Combining these resources and experiences with its own base for rendering assistance to countries in its region, ESCAP can continue to assist the integration of the economies in transition into the world economy in several areas. These include the design of macroeconomic and sectoral policies for the effective functioning of market-oriented economies, the creation of institutions in support of policies, the development of new skills relevant to both the design and the implementation of policies in a market environment, the diversification of trade and related external links to enhance more effective integration into the world economy, and the development of transportation and communication links to facilitate the redirection of trade and investment.

UNDCP

86. UNDCP's involvement with the economies in transition stems essentially from the risks attendant upon the deregulation of the broad environment for economic, political and social transformations. The absence of the legislative and institutional frameworks to deal with the problem of illicit drugs has left many of these economies vulnerable to a rise in drug-related activity. This has taken the form of the diversion of precursor and essential chemicals from pharmaceutical companies into illicit channels. Decentralization in financial relations, together with a weak banking sector, is exposing these countries to money laundering. Furthermore, the shift from central controls over trade to a liberalized trade regime is allowing drug-traffickers much greater mobility than heretofore. Although the problems of illicit drugs facing the economies in transition vary in both nature and content, concerted action at the national, regional and multilateral levels is urgently needed to halt the expansion in illicit drug production, consumption and trafficking. It is in this context in particular that UNDCP has been shaping its assistance package with regard to the economies in transition, the emphasis for now being on institution-building, needs assessment and legal assistance. The promotion of regional cooperation as well as assistance coordination, and the formulation of national drug control

master plans, with due regard for demand-reduction programmes and the active involvement of the private sector, are other central elements of its assistance to economies in transition.

87. UNDCP has developed a rapid assessment methodology to assist in the identification of domestic patterns of drug abuse with a view to facilitating the development of appropriate drug control interventions. A further aim is to identify the governmental and non-governmental counterparts that could play a role in drug control activities at the national level. This methodology has been worked out in the Czech Republic, with prospects for further application in other economies in transition, notably Poland and Slovakia. UNDCP has also provided expert advice and training to establish rapid-assessment mechanisms in the Baltic States. Furthermore, it is funding a multi-city study with a view to achieving an institutional system of drug abuse monitoring, relying on indirect indicators of drug abuse gathered by locally based researchers, in 10 cities in six countries (Bulgaria, the Czech Republic, Hungary, Poland, Slovakia and Slovenia). UNDCP is also working closely with the European Centre, based in Vienna, in order to further strengthen the analytical basis for drug control activities in economies in transition.

88. UNDCP has provided legislative assistance to a great number of economies in transition, including Belarus, Bulgaria, Estonia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Romania, the Russian Federation, Turkmenistan, Ukraine and Uzbekistan; this purview will be expanded and deepened in the near term, the emphasis being on regional cooperation. Such assistance includes developing model instruments of ratification and accession to the international drug control treaties, providing advice on proposed domestic drug control legislation and assisting in the training of national authorities in the application of new drug control laws. Most of these efforts have found a practical follow-up in terms of legislation as well as jurisprudence and enforcement.

FAO

89. Owing to resource limitations and acute requirements elsewhere, FAO's role in economies in transition 12/ has been mainly catalytic, focused on promoting environmentally friendly and sustainable production in cooperation with other research centres, on assessing production technologies in place, on strengthening policy-making and management capabilities, on training for formulating and implementing agricultural projects, on rehabilitating food-control systems, on monitoring crop and livestock production and protection, on setting up post-harvest systems and on promoting rural development and remote sensing, including crop and food outlook, for economies in transition that are not FAO members. In addition, the FAO Investment Centre has been active in promoting investments in the sector.

90. FAO organizes and supports a number of meetings, seminars and workshops on the above issues, one of the results to date being the establishment of a Network for Agricultural Policy and Advice for Governments of Central and Eastern Europe Economies in Transition. Its main objectives are the collection of information, and the review and analysis of agricultural and rural policies with a view to supplying policy makers with policy options and developing an institutional capacity for policy analysis linked to decision-making. In

addition, FAO has assisted these economies with legislative and technical instruments in various areas.

91. A major difficulty confronting these countries is obtaining the necessary market transparency to operate in the context of a well-functioning open market system. Resources permitting, FAO intends to help economies in transition with adjusting their agricultural policies in harmony with those of the European Union, given the agreements in place. Furthermore, FAO will address the effects of the Uruguay Round of multilateral trade agreements negotiations and will assist economies in transition in adjusting to the new disciplines on the choice of policies to support agriculture.

ICAO

92. Because the changes in the eastern part of Europe have had significant implications for the regulation of air transport, for the organization, cost recovery and financing of airports and route facilities, and for ICAO's worldwide aviation programme, several workshops on these topics were held in 1993 for the benefit of economies in transition; another is scheduled for October 1994. ICAO is making an effort to compile and publish civil aviation statistics for these countries. Furthermore, all of these economies are now included in the European Regional Air Navigation Plan, which specifies the air navigation facilities and services required to meet the needs of air operations. However, considerable assistance will have to be provided to these countries to implement this Regional Plan. To identify these needs and recommend concrete programmes, several missions and workshops on regional planning have been organized whose purposes include updating the Regional Plan.

93. As a result of several missions and other contacts, ICAO has determined that there exists an urgent need for extensive technical assistance development programmes to ensure that the economies in transition can implement ICAO's standards and recommended practices, for which at the very least the requisite domestic civil aviation legislation and technical acts need to be available. Because it is not a funding agency, ICAO has been trying to deliver such assistance through cooperation with commercial institutions, banks and other governmental and non-governmental establishments, as well as the Commission of the European Communities, the European Bank for Reconstruction and Development (EBRD), IMF, the World Bank and several other organizations. A follow-up meeting is scheduled for later in 1994 and it is intended that a detailed strategic plan for action will be drawn up at the meeting. However, funding for delivering the technical assistance remains short.

WHO

94. Soon after the transitions got under way, WHO created a new department on country health and a special programme, called EUROHEALTH, at the WHO Regional Office for Europe. Furthermore, to assist with emergency supplies of vaccines, drugs and medical equipment, the "Clearing House" was established with a view to providing information about individual country needs for such supplies. In practice, all technical programmes at the Regional Office are actively involved in appropriate activities at the country level, and WHO is now active in all

economies in transition. These activities are as a rule closely coordinated with those of other United Nations organizations and programmes.

95. The kind of technical assistance delivered to the economies in transition falls into three categories: (a) making known what WHO by itself or in collaboration with other multilateral organizations, those of the United Nations family as well as others, can offer, (b) an assessment of the health situation, and (c) development of country programmes according to the identified needs and the requests of Governments. In virtually all economies in transition, WHO now has a medium-term programme of cooperation for 1994-1995 in place, and in many a country a liaison office has been established, 13/ which tailors the programmes to the individual country's needs. The areas covered vary widely, from collaboration in counselling on lifestyles for promoting better health, epidemiology and health statistics, active cooperation with national hospitals (notably in the rational use of blood plasma), public health institutes, and strengthening mother and child health (in cooperation with UNFPA and UNICEF), to training national specialists, improving health information systems, developing drug policies and, in some cases, delivering equipment and drugs.

World Bank

96. World Bank support for the economies in transition concentrates on key policies oriented towards the objective of transformation. The goal is to restore growth in a manner compatible with protecting the most vulnerable groups of society and addressing the worst aspects of environmental degradation. The first task requires macroeconomic stabilization and private sector development, but also maintenance of an adequate physical infrastructure and education system. Protecting vulnerable groups during a prolonged transition process requires affordable social safety nets, minimum budgetary allocations to maintain health services and the replacement of job protection in declining sectors with active labour-market policies, particularly those that facilitate mobility. Regarding the environment, the many opportunities for adopting policies to bolster growth and protect the environment and health, such as through effective energy pricing, need to be pursued.

97. Accordingly, the main areas of World Bank assistance to the economies in transition are: (a) macroeconomic policy reform, including fiscal reform and trade liberalization; (b) privatization, enterprise restructuring and financial sector development; (c) institutional development, including legal and regulatory frameworks necessary in a market environment and the building of capacity for fiscal and financial management; (d) rehabilitation and development of physical infrastructure; (e) human resource development, including reorientation of education systems, maintenance of quality and coverage of health and education services, design and implementation of affordable social safety nets, and retraining and other labour-market policies facilitating mobility; and (f) environmental protection, including national and regional efforts to improve efficiency in the use of energy and natural resources and reduce health-threatening air emissions and water pollution.

98. In response to the recent accession of the economies in transition that were not previously members of the Bank, and the unique constellation of tasks affecting those economies, the Bank has mobilized resources, inter alia, by

raising the number of its staff working in the region. Four country departments deal with economies in transition. In addition to establishing resident missions in Albania, Belarus, Bulgaria, Hungary, Kazakhstan, Kyrgyzstan, Poland, Romania and the Russian Federation and regional missions in Latvia, Ukraine and Uzbekistan, the Bank has committed substantial resources. In fiscal 1994 (ending in June 1994), the International Bank for Reconstruction and Development (IBRD) committed over $3.4 billion (of which about 60 per cent went to the successor States of the former Soviet Union) in 34 loans; the International Development Association (IDA) committed $192.8 million in 7 loans. In the previous fiscal year IBRD committed $3.2 billion (of which half was for the successor States of the former Soviet Union) in 21 loans and IDA $100 million in 5 loans. Commitments for fiscal 1994, which earlier had been earmarked for some 40 projects involving a total of $5 billion (see A/48/317), have remained below expectations, however.

99. The Bank places a high priority on aid coordination in all of its aspects. It is mandated to organize Consultative Group meetings in a number of countries and works closely with the Group of Twenty-four in such meetings for other countries. By June 1994, Consultative Group meetings had been held for Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Estonia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, The Former Yugoslav Republic of Macedonia, the Republic of Moldova, Romania, the Russian Federation and Uzbekistan. It also participates in regular inter-agency meetings and contributes to the register of technical assistance maintained by the Organisation for Economic Cooperation and Development (OECD). Furthermore, it cooperates with other international financial organizations and bilateral donors in the co-financing of operations, and participates in the donor community's regional initiatives, such as that for the Aral Sea.

IMF

100. IMF has continued to offer, and indeed to expand, to all economies in transition economic policy advice, technical assistance and financing in support of the construction of market-based resource allocation. It does so on the strength of its own resources, from the regular budget and from special facilities, such as the Systemic Transformation Facility, as well as in coordination with other institutions, in part because, in conjunction with the Commission of the European Communities, it has been selected as the pivotal actor in freeing up a wide range of assistance resources from the international community, including notably through the World Bank on macroeconomic policy, the GATT on trade policy, ILO on safety nets and social security, UNCTAD on investment flows and privatization and ECE on policy analysis and trends.

101. At the heart of the IMF's technical assistance and training efforts is its experience in helping member countries formulate and implement financial and economic policies, including the establishment and fine-tuning of appropriate institutions, in line with evolving requirements. The need for IMF to respond to the problems facing countries undergoing systemic transformation and structural adjustment has created new challenges for the technical assistance programme and has had a profound impact on its size, structure, funding and management. This activity has also begun to complement and underpin macroeconomic and structural adjustment efforts, whether or not supported by IMF programmes. Without making technical assistance a part of conditionality, IMF

has taken measures to forge closer linkages between the provision of technical assistance and its support of adjustment programmes through its various facilities.

102. The transformation of many economies from central planning to market-based decision-making has demanded training and technical assistance not only to meet short-term needs but also to foster longer-term education of younger officials through scholarship programmes. IMF has assisted national authorities in setting up regional and national training facilities and provided advice and lecturing assistance in such ventures, in collaboration with regional and other multilateral agencies involved in the delivery of technical assistance. The Joint Vienna Institute, which is now being established as an independent organization, 14/ and its programme of activities, aimed at training official and private sector managers from economies in transition, is but one example of such a venture.

103. IMF has also provided substantial technical assistance through the IMF Institute and various missions, seminars, technical assistance missions, expert assignments, workshops and advisory missions organized by three of its core departments (fiscal affairs, monetary and exchange affairs and statistics). Thus, in fiscal 1994 (ending June 1994), the IMF Institute provided training to more than 1,000 persons through its courses and seminars at headquarters and the Joint Vienna Institute. This was complemented by 28 external training courses and seven seminars for senior officials, including 11 courses and two seminars organized in the economies in transition themselves, and lecturing assistance for six other training institutions covering some 1,100 participants. A scholarship programme provided young officials with an opportunity to study at universities in Australia and Japan.

ITU

104. Given ITU's involvement in international telecommunication treaties and regulations, in global technical recommendations, in a master international frequency register and in various publications relating to telecommunications, on the one hand, and the very uneven distribution of telecommunication services, particularly in the economies in transition, on the other, ITU has taken on a catalytic role in facilitating and enhancing telecommunication development through its technical cooperation and assistance activities with a view to triggering sectoral investment. In addition, through various forums, workshops and symposia, ITU is also raising decision makers' awareness of the need for adequate telecommunication-development policies and strategies and of the available options. With a view to enhancing its role, ITU will shortly issue a new product, entitled "Telecommunication Indicators for Economies in Transition", which provides standardized data for 24 countries and reviews telecommunication developments in the region based on internationally recognized indicators.

WMO

105. Because most of the national meteorological and hydrologic services (NMHS) of economies in transition encounter severe operational difficulties, WMO has established channels of communication with the NMHS. As a result, 16 of the

newly independent States have so far joined WMO and others are currently being considered. WMO has also begun to reinforce its assistance-delivery capacity with a view to coming to grips with the intrinsic problems of the transition, utilizing its experiences within the newly independent States in other States, particularly those that do not seem to have handled their meteorological and hydrologic problems very well to date. Ultimately, however, WMO would like to address the broader issue of sustainable development for which meteorological and hydrologic inputs are necessary in a wide variety of industrial activities.

106. WMO has assisted the economies in transition with technical regulations on the collection and processing of data and broader information. However, obsolete equipment in many countries poses severe problems for ensuring data quality and their timely transmission, as well as for coming to grips with missing information when equipment breaks down. This has implications not only for the country in question, but also for the delivery of appropriate services at the regional, and even the global, level. WMO has brought together the economies in transition for groupwide discussions, for which at times financial support has had to be provided; it has undertaken sectoral support and consultancy missions to assess existing facilities and identify requirements, and has subsequently assisted with the elaboration of project briefs and documents, and, in the end, delivered technical equipment; and it has assisted with human resource development through fellowships funded from various sources. A broader programme of assistance to be presented at a Donors' Conference, in collaboration with UNDP, is currently under preparation.

WIPO

107. In the course of 1991-1993, WIPO assisted 19 of the economies in transition 15/ by sending draft laws on industrial property, by commenting on drafts, by preparing announcements or by advisory visits. It has also assisted six countries 16/ with the setting up or modernization of patent offices. In addition, it has helped 18 countries 17/ accede to WIPO treaties. Furthermore, it has organized training courses for industrial property attorneys of Ukraine and the Central Asian States, and for staff of patent and trade-mark offices of the countries that acceded to the Patent Cooperation Treaty 18/ and the Madrid Agreement 19/ concerning the International Registration of Marks and transferred its compact disk read-only memory (CD-ROM) workstations with respective CD-ROMs. Staff of the Croatian and Slovene patent offices received training on certain classifications, and several seminars and symposia dealing with various issues of patent protection and employee inventions were held.

108. In the case of newly independent States, the legal vacuum regarding property laws has been filled in two steps: a provisional government decree, followed by the preparation of complete, up-to-date industrial property laws. Two features of the latter stand out. First, these drafts and laws were elaborated in such a way that they could be administered in a relatively simple and efficient manner by a patent office having at its disposal a limited number of technical personnel and operating with relatively sparse resources. Secondly, provisions were recommended that would be attractive to local and foreign investors in conformity with the international treaties administered by WIPO and the prevailing modern trends in the field of industrial property. In mid-February 1994, 11 of the CIS States adopted and initialled a multilateral

treaty entitled "European Patent Convention", which was drafted in cooperation with WIPO.

109. In the case of the successor States to the dissolved unions (Czechoslovakia, the Soviet Union and Yugoslavia), pending applications and the granting of rights, a fair and user-friendly approach was adopted for the benefit of the applicants and rights holders in order to preserve their filing dates and priorities, to maintain the possibility of continuing their pending applications and to recognize the uninterrupted maintenance of earlier-granted titles of protection. In addition, a special system of re-registration of rights and extensions of applications was established under the Madrid Agreement concerning the International Registration of Marks and the Patent Cooperation Treaty.

110. As regards prospective activities, WIPO hopes to strengthen national patent offices and trade-mark administration systems, partly in cooperation with UNDP (as in the case of Albania and Bulgaria), as well as the European Patent Office, in cooperation with the European Patent Office. Legislative acts, mostly in cooperation with WIPO, are under preparation in 10 countries. 20/ It is also promoting accession, in particular of Azerbaijan and Turkmenistan, to WIPO treaties.

UNIDO

111. In the context of its recent restructuring and reform, UNIDO has established a unit responsible for elaborating its support for economies in transition, building upon the assistance policy that has been in place for some time. The latter has consisted of in-depth reviews of manufacturing sectors and of the institutional and policy environment of countries. These are closely linked to UNIDO's substantive programmes and are critical in developing its country support strategies. They are also important in promoting FDI and form a basis for informed policy dialogue on industrial restructuring, including with the business community. In addition, UNIDO has undertaken more detailed analyses of the development constraints and prospects of specific regions, within and among countries. These are complemented by analyses of specific industrial subsectors.

112. As concerns its role in legislative and technical acts, UNIDO has provided, for example, technical assistance on both the legal and economic aspects of privatization to Poland and Romania; a large project along similar lines is under way for Uzbekistan. It has also assisted with the preparation of guidelines for business incubators and with drafting FDI guides in the Czech Republic, Poland and the Russian Federation. Furthermore, it transfers knowledge about quality and metrological standards, and how to attain them, on which a large project is being launched in Hungary and Albania.

113. UNIDO's prospective activities vary depending on country, but they will generally focus on five integrated programmes: (a) industrial restructuring at the enterprise level; (b) industrial investment promotion and technology transfer; (c) entrepreneurship and small- and medium-sized enterprise development; (d) environmental protection and (e) development of industries directly catering to basic needs (such as building materials and

pharmaceuticals). These will be supplemented with specialized programmes, including ones on reducing greenhouse gas emissions and on building industrial data systems.

GATT

114. The GATT's activities in economies in transition fall into three broad categories: membership in the GATT and WTO, technical cooperation and training, and economic analyses of trade trends and trade policy stances. Renegotiation of the accession protocols regarding the special status of Hungary, Poland and Romania when they were State-trading countries is continuing. The status of Yugoslavia remains in limbo because of the sanctions. Thirteen countries 21/ have requested accession and working parties for each of them have been set up; the one dealing with Slovenia has concluded its deliberations and the process will now be finalized through the standard GATT balloting. For all practical purposes, these countries aim also at membership in WTO. Six other countries 22/ have ordinary observer status.

115. Technical assistance takes various forms: national seminars on the GATT and the Uruguay Round of multilateral trade negotiations, ad hoc assistance on any matter related to the GATT, information seminars particularly for countries that have applied for accession and for observers, assistance on any matter related to the procedures for accession and regional workshops on the Uruguay Round agreements. The GATT has organized four special trade policy courses, of nine weeks each, for officials from economies in transition. So far 97 officials from 24 countries have participated in the courses.

116. Finally, economies in transition that are contracting parties are subject to reviews under the Trade Policy Review Mechanism, which have a frequency of every six years; with the entry into force of WTO, the scope of such reviews will be extended to services and trade-related aspects of intellectual property rights and of investment measures. The reviews for Hungary, Poland and Romania have been concluded, whereas those for the Czech Republic and Slovakia are scheduled for 1995. In addition, the Secretariat's evaluation of the Uruguay Round results, due for publication in autumn 1994, has paid particular attention to the economies in transition, and these countries are now covered as a group in the annual report on international trade and the accompanying statistical volume.

Notes

1/ The cumulative contraction in aggregate output from 1990 to 1993 varied from one fifth in Hungary, Poland and Slovenia, and 30 per cent in Bulgaria and Romania, to 40 per cent in the Russian Federation, and more than half in Latvia and Lithuania, and probably in several other successor States of the former Soviet Union (see table 1). The cumulative contraction in industry has invariably been larger.

2/ For a recent review of the unemployment situation in economies in transition, see World Economic and Social Survey, 1994 (United Nations

publication, Sales No. E.94.II.C.1), chap. VI, sections on "systemic transition and employment issues" and "policy conclusions".

3/ In part because of the diversion of trade to Western markets that had earlier been conducted with the Slovak part of the country and could no longer be accommodated in spite of the two countries' having established a customs union.

4/ Official trade data particularly for the CIS States continue to be highly uncertain. Whereas there can be no doubt that a severe import contraction took place also in the Russian Federation in 1993, the data have proved to be highly inaccurate (when compared with partner statistics, for example) in part because of the informal sector, capital flight and other forms of "irregular" trading activities.

5/ Export values increased quite substantially (by 15-25 per cent) in Hungary, Poland, Romania and Slovakia, but fell by 1-5 per cent in the Czech Republic and Slovenia, and by 20-30 per cent in Bulgaria and Croatia. Import values increased by between 7 and 30 per cent in central Europe, but declined elsewhere by up to 30 per cent in Bulgaria and Croatia. As a result, trade balances improved in nearly all countries, except notably the Czech Republic.

6/ The large gap illustrates the considerable caution that investors continue to exert, owing to the uncertainties in many of the economies in transition.

7/ See the forthcoming issue of World Investment Report, 1994: Transnational Corporations, Employment and the Workplace (United Nations publication, Sales No. E.94.II.A.14), chap. II, sect C.

8/ The exceptions are Kazakhstan, Kyrgyzstan, The Former Yugoslav Republic of Macedonia and Uzbekistan.

9/ United Nations publication, Sales No. E.93.II.D.10.

10/ United Nations publication, Sales No. E.93.II.A.14.

11/ Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992, vol. I, Resolutions Adopted by the Conference (United Nations publication, Sales No. E.93.I.8 and corrigendum), resolution 1, annex II.

12/ Note that the CIS States other than Armenia are not yet members of FAO. For those countries, FAO's role is confined to at best joint missions.

13/ All the economies in transition are covered except Bosnia and Herzegovina; Croatia; the Russian Federation (where WHO has, however, some 60 collaborating centres); Tajikistan and The Former Yugoslav Republic of Macedonia (in both of which there is a Regional Director's special representative); and Uzbekistan.

14/ See document E/1994/115, annex, containing the draft Agreement for the Establishment of the Joint Vienna Institute, negotiated by IMF, IBRD, the Bank for International Settlements (BIS), EBRD and OECD.

15/ Albania, Armenia, Azerbaijan, Belarus, Bulgaria, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Latvia, Lithuania, the Republic of Moldova, Romania, the Russian Federation, Slovakia, Slovenia, Ukraine and Uzbekistan.

16/ Albania, Armenia, Kazakhstan, Latvia, Slovenia and Ukraine.

17/ Albania, Armenia, Belarus, Bosnia and Herzegovina, Croatia, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, the Republic of Moldova, Slovakia, Slovenia, Tajikistan, The Former Yugoslav Republic of Macedonia, Ukraine and Uzbekistan. Only Azerbaijan and Turkmenistan are not yet parties to WIPO treaties.

18/ Armenia, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, the Republic of Moldova, Slovakia, Slovenia, Tajikistan, Ukraine and Uzbekistan.

19/ Armenia, Belarus, Croatia, Kazakhstan, Kyrgyzstan, the Republic of Moldova, Slovakia, Slovenia, Tajikistan, The Former Yugoslav Republic of Macedonia, Ukraine and Uzbekistan.

20/ Armenia, Azerbaijan, Bosnia and Herzegovina, Croatia, Georgia, Hungary, Kyrgyzstan, the Republic of Moldova, Tajikistan and Turkmenistan.

21/ Albania, Armenia, Belarus, Bulgaria, Croatia, Estonia, Latvia, Lithuania, Mongolia, the Republic of Moldova, the Russian Federation, Slovenia and Ukraine.

22/ Azerbaijan, Kazakhstan, Kyrgyzstan, The Former Yugoslav Republic of Macedonia, Turkmenistan and Uzbekistan.